

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

Robert James Wohlscheid  
295 Donahue Beach  
Bay City, Michigan 48706

Enforcement Case No. 04-2822

Respondent

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Issued and entered  
On March 15, 2005  
By Linda A. Watters,  
Commissioner

**ORDER TO CEASE AND DESIST**

The Office of Financial and Insurance Services (OFIS) of the Michigan Department of Labor and Economic Growth, pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 *et seq.*; the Michigan Uniform Securities Act, 1964 PA 265, as amended; MCL 45 1.501 *et seq.* (Act), and the Rules promulgated under the Act, says that:

I.  
BACKGROUND

1. Respondent Robert J. Wohlscheid, whose address is 295 Donahue Beach, Bay City, Michigan 48706 is self employed and offered and sold securities: overriding royalty interests in oil, gas and mineral leases.
2. Respondent sold these securities to at least two Michigan consumers.
3. Section 201 of the Act, MCL 451.601, prohibits a person from transacting

business in this state as a broker dealer or agent unless registered under this Act.

4. At no time material herein was Respondent registered as a broker-dealer or a registered sales agent by the National Association of Securities Dealers (NASD) nor approved for registration in Michigan.
5. Respondent, at all times material herein, was offering to sell or selling securities, royalty interests, that were not registered, or exempt from registration, as required by the Act.
6. Section 301 of the Act, MCL 451.701, provides that it is unlawful for any person to offer or sell any security in this state unless 1 of the following is met:
  - a. It is registered under the Act.
  - b. The Security or transaction is exempted under Section 402 of the Act, or
  - c. The security is a federally covered security.
7. Respondent did not disclose the fact that:
  - a. He was not authorized to sell securities in Michigan; or
  - b. The security he was offering was not registered in Michigan.
  - c. The sale of royalty interests did not qualify for any exemption granted by the Act.
8. Section 101 of the Act, MCL 451.501, states that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:
  - a. To employ any device, scheme, or artifice to defraud.
  - b. To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

- c. To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit any person.
9. Respondent represented that he was acting as an agent for Federal Oil Company, LLC. (FOC).
10. At no time did FOC have knowledge of the sale of securities, or that Respondent was claiming to sell the royalty interests on their behalf
11. The investigation conducted by the Office of Financial and Insurance Services revealed that at all times Respondent was acting alone in the sale of unregistered securities.
12. Respondent represented to his investors that there were ongoing operations with the oil wells over a period of 8 months.
13. In fact, Respondent sold the shares with no knowledge of the operations of the oil wells.
14. On July 31, 1997, OFIS issued an Order to Show Cause Why An Order To Revoke And Deny Exemptions, To Impose Civil Penalty, And To Cease And Desist Should Not Be Issued.
15. The Order was issued because it was found that Respondent offered and sold unregistered, nonexempt securities and omitted to state material facts.
16. On September 15, 1997, OFIS issued a Final Order To Revoke And Deny Exemptions, And To Cease And Desist.
17. Respondent has sold unregistered, nonexempt securities to Michigan residents after the issuance of the 1997 Final Order.
18. Section 409(a) of the Act, MCL 451.809, states that any person who willfully violates section 101, 102, 103, 201, 203(h), 301(1) or (2), 402, 405(b), or 406(b) shall upon

conviction be fined not more than \$25,000 for each violation, or imprisoned not more than 10 years, or both.

19. Requests for information were sent to Respondent by OFIS staff and Respondent failed to respond to these requests.
20. Section 407(a)(2) of the Act states that the administrator may, in its discretion require or permit any person to file a statement in writing, under oath or otherwise as the administrator determines, as to all the facts and circumstances concerning the matter to be investigated.
21. Section 407(b) of the Act states that the administrator, or any officer designated by it, may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence and require the production of any books, papers, correspondence, memoranda, agreements or other documents or records which he administrator deems relevant or material to the inquiry.

## **II CONCLUSIONS OF LAW**

WHEREAS, Section 408 of the Act states that whenever it appears to the Administrator (Commissioner of the Office of Financial and Insurance Services) that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this Act or any rule or order hereunder, it may in its discretion issue a cease and desist order or bring an action in a circuit court to enjoin the act or practices and to enforce compliance with this Act or any rule or order hereunder; and

WHEREAS, the Administrator finds that a person must be registered under Section 201

of the Act in order to offer to sell or sell investments; and

WHEREAS, the records of OFIS disclose that Respondent was not registered to conduct business in the State of Michigan; and

WHEREAS, the investment offered by Respondent are a security within the meaning of Section 401 of the Act; and

WHEREAS, the records of OFIS disclose that the investments offered by Respondent were not:

- a. Registered under Section 302 of the Act;
- b. Exempt from registration under Section 402 of the Act; and
- c. Federally covered securities; and

WHEREAS, the records of OFIS disclose that the securities transactions relating to the royalty interests are not exempt under Section 402 of the Act; and

WHEREAS, the Administrator finds that the Respondent omitted to state the material fact that they are not licensed under the Act and the investments sold are unregistered securities; and

WHEREAS, the Administrator finds that the Respondent has not responded to the request for information, sent by the Office of Financial and Insurance Services.

WHEREAS, based on the foregoing, the Administrator finds that Respondent is engaged in acts and practices that violate Sections 101, 201, 301, and 407(a)(2) of the Act and Rules promulgated under the Act; and

WHEREAS, the Administrator finds this action necessary and appropriate in the public interest for the protection of the public and consistent with the purposes fairly intended by the

policy and provisions of the Act.

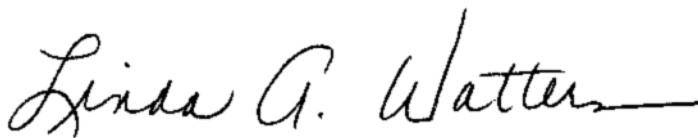
IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808, that:  
The Respondent shall immediately CEASE AND DESIST from transacting business in this state as a broker-dealer or agent, without being registered under the Act and from offering to sell or selling unregistered securities in and from the State of Michigan.

Failure to comply with this ORDER will subject you to one or more of the following:

- a. A civil penalty of not more than \$1,000 for each violation of this Act, but not to exceed a total of \$10,000.
- b. A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this order will stand as entered and will be FINAL.

MICHIGAN DEPARTMENT OF  
LABOR AND ECONOMIC GROWTH



By: \_\_\_\_\_  
Linda A. Watters, Commissioner  
Office of Financial and Insurance Services

